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<u>House budget proposal for FY 15</u>

Congressman Paul Ryan's FY 2015 budget proposal, reported out of the House Budget Committee this week on a 22-16 vote, would allow transportation funding to go over the "fiscal cliff." In contrast to the administration proposal and also a tax reform plan from Ways and Means Chair Camp released last month, the House FY 2015 budget contains no provisions to address the Highway Trust Fund shortfall, expected to begin impacting the rate of reimbursements to states by this summer. In addition, states would be prevented from obligating any new highway projects in FY 2015. This would allow for existing revenues to sustain higher levels of investing in FY 2016.

Without additional revenues for the Trust Funds, outlays for FY 2015 under the Ryan proposal would be reduced by $13 billion. However, since FY 2015 funding is already established (via the Ryan-Murray agreement signed four months ago), the new proposal is unlikely to take effect.

Funding/authorization expiration dates:

Jan. 18, 2014 – 3-day Continuing Resolution (H J Res 106) (However, HR 3547, FY 2014 omnibus appropriations bill through Sept. 30, 2014, is expected to be signed by the President before expiration of the CR)
Sept. 30, 2013 - water resource and development programs (WRDA of 2007)
Sept. 30, 2013 - passenger rail and freight safety programs (PRIIA of 2008)
Sept. 30, 2014 - surface transportation programs (MAP-21)
Sept. 30, 2015 - aviation programs (Air Transportation Modernization & Safety Improvement Act, 2012)

Background

Annual Transportation Appropriations

The administration's FY 2013 budget request was released Feb. 13, 2012. Included was a $476 billion proposal for surface transportation reauthorization covering 2013-2018, but starting off with an upfront investment of $50 million in FY 2012 for highways, transit, railroads and aviation. Other provisions would collapse 55 programs into five, create a National Infrastructure Bank, and push ahead with high speed rail. The administration proposed to fund the bill using $231 billion in war savings. The remainder would come from existing sources of revenue.

On March 21, 2012, the House Budget Committee narrowly approved Congressman Paul Ryan's FY 2013 budget resolution. The overall discretionary spending limit of $1.028 trillion is lower than the $1.047 trillion agreed to in last summer's Budget Control Act.

For transportation, the Ryan budget would hold spending to the amount that could be supported by revenue flowing into the Highway Trust Fund, which would mean significant cuts to the transportation program. However, the language allows for higher spending levels if funds are added through additional revenue or general fund transfers, as long as the result is deficit-neutral. The proposal is likely to go to the House floor next week.

In the Senate, Appropriation Committee Chairman Daniel Inouye issued a statement reaffirming the $1.0147 trillion level established in the Budget Control Act.

Thus, although the budget is non-binding, appropriators in the House and Senate will be working with different overall amounts. This will complicate the effort to come to agreement on FY 2013 appropriations bills before the end of the fiscal year on Sept. 30, 2012.

The House has approved House Budget Chairman Paul Ryan's FY 2013 budget resolution. The March 29 vote was 228-191. H Con Res 112 calls for an overall discretionary spending limit of $1.028 trillion, a reduction from the amount agreed to in last summer's Budget Control Act of $1.047 trillion. While not binding, the resolution will be the starting point for the House Appropriations process. This budget calls for a significant decrease in transportation investment. The Senate is unlikely to take up the House Budget.
The Senate has begun releasing FY 2013 appropriations proposals, based on the overall discretionary cap of $1.47 trillion agreed to in the Budget Control Act last summer.

On April 18, the Senate Appropriations Committee approved its FY 2013 T-HUD bill, S 2322. Compared to FY 2012, overall discretionary transportation funding is decreased by 3.8 percent However, obligation limitation amounts stay level for the following: FHWA federal-aid highways ($39.144 billion); FAA's Airport Improvement Program ($3.35 billion); and FTA's Formula and Bus Grants ($8.36 billion). The bill would also continue the TIGER program at $500 million.

Rail funding actually increases overall by approximately $125 million. While Amtrak operating funds decrease by 14.2 percent, capital grants would increase by 10.3 percent. The bill would fund a new category, "High Performance Passenger Rail grants," which the Senate press release describes as designed to "assist states with the improvement of existing intercity services, congestion mitigation and multi-state planning activities." (Text of the bill is not yet available.)

The House has released no FY 2013 appropriations bills, but the Ryan budget resolution (HR 112) passed in March would set the overall discretionary cap at $1.028 trillion, $2 billion less than the level in the Budget Control Act. This disagreement will complicate passage of appropriations bills for FY 2013.

On June 7, the House Appropriations subcommittee approved by voice vote its FY 2013 T-HUD proposal. Contingent on action by Congress to provide funding authorization, obligation limitation amounts stay level with FY 2012 for the following: FHWA federal-aid highways ($39.144 billion); FAA's Airport Improvement Program ($3.35 billion); and FTA's Formula and Bus Grants ($8.36 billion). The bill zeros out the TIGER program, which was funded in FY 2012 at $500 million. However, the House would carve out $500 million from the Amtrak capital account for bridges and tunnels mostly on Amtrak routes in the northeast corridor. No funds for High Speed Intercity Passenger Rail (HSIPR) would be provided by the House.

The full committee is scheduled to mark up the draft next week, with floor action expected soon after.

On April 18, the Senate Appropriations Committee approved its FY 2013 T-HUD bill, S 2322. Like the House proposal, S 2322 would retain FY 2012 levels for most accounts. However, the Senate would renew the TIGER program at $500 million, and provide 100 million for HSIPR.

On June 19, the full House Appropriations Committee approved by voice vote its FY 2013 T-HUD proposal. Contingent on action by Congress to provide funding authorization, obligation limitation amounts stay level with FY 2012 for the following: FHWA federal-aid highways ($39.144 billion); FAA's Airport Improvement Program ($3.35 billion); and FTA's Formula and Bus Grants ($8.36 billion). The bill zeros out the TIGER program, which was funded in FY 2012 at $500 million. However, the House would carve out $500 million from the Amtrak capital account for bridges and tunnels mostly on Amtrak routes in the northeast corridor.

Although the bill could go to the floor next week, it is possible that it will be delayed until after passage of a surface transportation reauthorization bill (or an extension of SAFETEA-LU), since any changes to programs and funding levels could impact appropriations.

Shortly before approving the transportation reauthorization bill, the House passed its FY 2013 appropriations proposal, HR 5972 (as amended) by a vote of 261-163. The two amendments adopted on the floor would: prohibit the use of funds to mandate global positioning system tracking, electronic on-board recording devices, or event data recorders in passenger or commercial motor vehicles; and prohibit the use of funds for high-speed rail in California.

Obligation limitation amounts stay level with FY 2012 for the following: FHWA federal-aid highways ($39.144 billion); FAA's Airport Improvement Program ($3.35 billion); and FTA's Formula and Bus Grants ($8.36 billion). The bill zeros out the TIGER program, which was funded in FY 2012 at $500 million but it would carve out $500 million from the Amtrak capital account for bridges and tunnels mostly on Amtrak routes in the northeast corridor.

The Senate proposal would also maintain current obligation limitation levels for highway programs, AIP and transit formula and bus grants, but would also include $500 million for TIGER grants, and $100 million for a "High Performance Passenger Rail" program. S 2322 was reported out of committee April 19.

With the completion of surface transportation reauthorization, attention has turned to the end of fiscal year 2012 on Sept. 30, and the need to provide appropriated funds for FY 2013. Several factors have combined to make the passage of individual appropriations bills unlikely: lack of agreement between the House and Senate on a top line amount to divide between the various agencies and departments; the desire to avoid a showdown so close to the November elections; and the need for bargaining tools to use in the effort to resolve three other issues due to come to the forefront in January, 2013. Those three issues, known as the "fiscal cliff" include: expiration of major tax cuts; the need to raise the debt ceiling; and the activation of across-the-board automatic spending cuts. (Under current language, transportation trust fund programs are exempt from the cuts.)

These factors increase the chances of either combining some or all appropriations bills into a package, or passing a continuing resolution (CR). However, it is not altogether certain that even a CR would, in fact, continue the current funding levels.

To date, the House has passed seven appropriations bills, and Senate committees have reported out nine. Interestingly, the transportation proposals by the two chambers would both provide, essentially, FY 2012 amounts for the major highway, aviation and transit programs. (HR 5972 passed the full chamber on June 27, and the Senate bill, S 2322, was reported out of committee on April 19.) The differences are in other areas, such as the TIGER program (which the Senate funds and the House does not), and the structure and level of passenger rail funding.

On July 31 the Senate Majority Leader and the Speaker of the House announced an agreement for funding federal programs during the first half of FY 2013 via a six-month continuing resolution (CR). Senator Reid and Congressman Boehner said the measure, which will cover Oct. 1, 2012, through March 31, 2013, would be free of policy provisions and would provide total funding of $1.047 trillion, the amount specified in the Budget Control Act. The agreement removes the possibility of a government shutdown before the 113th Congress convenes in January 2013.

Transportation programs will likely be funded at FY 2012 levels for the duration of the CR even if across-the-board spending cuts kick in on Jan. 1, 2013. This is due to the fact that, under current sequestration language, transportation trust fund programs are exempt from the cuts.

With the fiscal year ending Sept. 30, Congress is back from its August recess – the Senate for the remainder of September, and the House for the week of Sept. 10, plus Sept. 19-21.

The issues coming up include:

<u>The Continuing Resolution</u> – Prior to the August recess, Senate Majority Leader Harry Reid and Speaker of the House John Boehner announced agreement on a six-month Continuing Resolution (CR) to fund federal programs at the rate of $1.047 trillion per year during the first half of FY 2013 (that amount reflects the cap set by the Budget Control Act). Because this yearly rate exceeds the projected FY 2012 rate by $8 billion, Congress must agree on distribution of the extra funds (and any other exceptions to a clean continuation of the current distribution to programs), and then finalize the bill by Sept. 30, 2012.

<u>Sequestration</u> – This summer, Congress passed a bill requiring the administration to report, by Sept. 7, the specific ways in which the administration would implement across-the-board "sequestration" cuts beginning in January if Congress fails to agree on program-by-program cuts or other measures to replace it. Although the report has not yet been submitted, a spokesman for President Obama said it will be provided to Congress late this week. Under current language, transportation trust fund programs are exempt from the cuts.

<u>MAP-21 Successor</u> – Senate EPW Committee Chair Barbara Boxer has announced that she's already working on the next reauthorization bill, and the primary task of funding it. The Highway Trust Fund outlook, according to the Congressional Budget Office, shows the Highway Account being drained below necessary levels sometime in 2015, and the Mass Transit Account reaching that point sometime in 2014.

On Sept. 13, by a vote of 329-91, the House passed a six-month Continuing Resolution (CR) to fund federal programs through March 27, 2013. H. J .Res. 117 sets the highway obligation limitation at the FY 2012 level of $39.144 billion. This is lower than the $39.699 billion called for under MAP-21 for FY 2013. Although the measure is essentially free of extraneous policy provisions, it does include a 0.612 percent across-the-board increase to bring the total funding to the agreed-upon $1.047 trillion cap. It has not yet been determined whether or not this increase will apply to programs funded out of the Highway Trust Fund. The Senate is expected to take up the bill early next week.
A six-month Continuing Resolution (CR) has been cleared by Congress and sent to the President for his signature. H.J. Res. 117 is a "clean" bill that funds federal programs at the rate of $1.047 trillion per year during the first half of FY 2013 (that amount reflects the overall cap set by the Budget Control Act of 2011). Because this represents a slightly higher level than FY 2012, most programs and agencies will see small increases of 0.612 percent.

According to AASHTO, this increase applies to formula funds for transit (plus New Starts). For highways, however, the highway obligation limitation amount will be consistent with FY 2012. The CR specifically calls for a highway obligation limitation based on the FY 2012 annual level of $39.14 billion, rather than the $39.69 billion called for in the recently passed reauthorization bill, MAP-21.

The President is expected to sign the bill before the end of the fiscal year on Sept. 30.

A spokesman for Senate Appropriations Chair Daniel Inouye stated this week that the Senator believes an omnibus spending bill passed during the lame-duck session is a better option for the remainder of FY 2013 than another Continuing Resolution (CR). The current CR, passed in September and running through March 27, 2013, largely continues FY 2012 programs and amounts, with a small increase in most areas to bring the total to the $1.047 trillion level specified in the Budget Control Act. An omnibus bill could be subject to the same overall amount, but changes could be made to funding levels for individual programs.

No word on the House Appropriations Committee plans for the remainder of FY 2013.

As of Jan. 18, appropriations committee staff members have nearly completed an FY 2013 omnibus, but it's on hold pending the outcome of the Hurricane Sandy funding and the remainder of the "fiscal cliff" issues. There is no word on the contents of the Transportation-Housing and Urban Development portion, although the 112th Congress made progress on this bill, with the Senate reporting out S 2322 and the House passing HR 5972.

House Appropriations Committee Chair Hal Rogers has outlined a proposal to extend through Sept. 30, 2013, the current Continuing Resolution (CR) funding federal agencies and programs. However, as a means of shielding defense accounts from the sequester (above), the CR would include specific language for the Pentagon and the Department of Veterans Affairs.

Both the House and Senate have offered proposals to fund federal agencies and programs for the remainder of FY 2013 at or close to FY 2012 funding levels.

The House passed its bill, HR 933, on March 6. The Senate unveiled a substitute amendment on March 11. Both proposals keep sequestration in place and stay within the total budget cap of $984 billion.

The House bill provides FY 2012 funding levels through a Continuing Resolution (CR) for all twelve areas except two: Defense and Military Construction/VA. For those cabinet departments, individual appropriations language is included. To meet the overall budget cap, a very small across-the-board recission is applied (0.098 for non-security programs, including transportation). For the Transportation-Housing and Urban Development section (T-HUD), HR 933 continues FY 2012 funding levels (minus the recission).

Although the Senate funding levels are roughly the same as in the House bill, the substitute amendment includes individual appropriations language for three additional areas: Agriculture; Commerce-Justice-Science; and Homeland Security. And for the remaining seven areas covered by a CR, the Senate includes several "exceptions," including the following for transportation: highway transit and safety program funding is increased over FY 2012 to the levels authorized in MAP-21; new NHTSA programs created under the MAP-21 alignment are funded; and increased overflight fees are allowed to be used for the Essential Air Service Program (as provided for in the FY 2012 FAA reauthorization bill). The small recission in the Senate proposal applies only to the parts of the bill with individual appropriations language rather than to areas funded through a CR.

The process has slowed as the Senate bill has attracted around 100 proposed amendments on a wide range of topics (including restoring funds for operation of airport control towers, and the use of certain transit funds for operating expenses). Senate Majority Leader Harry Reid said work will continue over the weekend on deciding which ones will come to the floor for a vote – most likely next week. The bill then goes back to the House, which could either pass it, or amend it again and send it back to the Senate. The Easter/Passover recess begins Friday, March 22, and continues past the expiration date of the current CR, March 27.

As of March 22, the House and Senate have each adopted a budget for FY 2014. The budget has no force of law, but guides the funding process by setting an overall spending cap and suggesting the outlines of the appropriations bills.

The House and Senate proposals share a starting point of $966 billion, which is then distributed among their 12 respective appropriations committees. This level is 1.8 percent below post-sequester FY 2013. (Funds for mandatory programs such as Social Security are not included in this distribution.)

The Senate proposal includes $50 billion to fix the most deficient bridges, airports and transit systems, $10 billion for ports and maritime infrastructure, and $10 billion to create an infrastructure bank. These amounts would be outside the $966 billion cap, and would require separate action by Congress to fund the initiatives.

As of March 21, Congress has approved funding for federal agencies and programs through FY 2013 with the passage of HR 933.

For transportation, most highway, transit and safety program funding is increased to the levels authorized in MAP-21. In addition, new NHTSA programs created under the MAP-21 alignment are funded, and increased overflight fees are allowed to be used for the Essential Air Service Program (as provided for in the FY 2012 FAA reauthorization bill). Sequester cuts to general fund programs, including transit New Starts, were left in place.

The President is expected to sign the bill.

On March 26, President Obama signed HR 933, providing funding for federal agencies and programs through FY 2013. The bill became PL 113-6.

On April 10 the administration released its budget proposal for FY 2014 and beyond. For transportation, no new revenue was proposed to shore up the Highway Trust Fund – instead, a total of $214 billion would be transferred from the general fund over six years, offset by savings from winding down military operations in Iraq and Afghanistan.

For FY 2014, transportation funding would generally stay at MAP-21 levels. In addition, the proposal includes “immediate transportation investment” funding of $50 billion, with $27 billion specifically for highways and bridges, $9 billion for transit, $5 billion for rail service, $4 billion for “TIGER” grants, $2 billion for Transportation Leadership Awards (discretionary funding for states and regions for implementation of innovative strategies), and $3 billion for aviation. A national infrastructure bank is funded at $10 billion, and $500 million is provided for “National Infrastructure Investments.” A new Rail Account of the Transportation Trust Fund would be established to fund over $6.3 billion of the rail passenger and rail service activities.

With the House and Senate having passed their budgets last month, the next steps are conducting hearings on the Administration’s budget and forming a conference committee to work out the significant differences between the three proposals.

House Appropriations Committee Chairman Harold Rogers intends to begin work on FY 2014 spending bills next month, dividing the overall pool of $967 billion between the 12 subcommittees. Rogers noted this week, however, that the budget resolution he is currently working under assumes continued sequestration and is even lower than the FY 2013 amount (about $984 billion). Congressman Latham, who chairs the House Transportation, Housing and Urban Development subcommittee, believes the cap would make it difficult to write and pass individual spending bills.

In the Senate, the budget resolution in place assumes an end to the sequester and allows for a pool of $1.058 trillion to divide between committees. It is possible, however, that the two chambers will agree on a compromise amount, and/or on specific cuts to replace the across-the-board sequester, making it more likely that individual appropriations bills will be written and passed.

Working under a funding cap reflecting continued sequestration in FY 2014, the House Appropriations Committee has divided the overall pool of $967 billion between the 12 subcommittees. Transportation, Housing and Urban Development (T-HUD) would receive $44.1 billion, which is 14.5 percent lower than the FY 2013 level. However, Congressman Latham, who chairs the T-HUD subcommittee, reiterated that the Highway Trust Fund is not subject to the sequester and that other programs would bear the brunt of the cuts. These cuts would likely come from programs under Housing and Urban Development.

In the Senate, the FY 2014 budget resolution assumes an end to the sequester and allows for a pool of $1.058 trillion to divide between committees. These caps are likely to change, however - especially if Congress comes to a larger budget agreement.

In FY 2013, before sequestration, the topline discretionary amount for all 12 committees, including T-HUD, was $1.043 trillion. Sequestration and other actions reduced that to a final FY 2013 amount of $1.002 trillion. The overall total for FY 2014 discretionary spending required by current law (the Budget Control Act plus sequestration) is $967 billion, spread among the 12 committees. The **House** stays under that cap. The **Senate** assumes sequestration will be averted in FY 2014 through a larger budget deal, and uses a topline amount of $1.058 trillion.

However, most transportation funding comes from the Highway Trust Fund. This is considered mandatory spending and is over-and-above discretionary funding (i.e. it does not count against the overall cap).

House proposal
Current status - In the House, the Appropriations T-HUD subcommittee approved its FY 2014 measure on June 18, and plans a full committee markup on June 27. For the transportation, the House level for discretionary funds is 11.6 percent below the final FY 2013 amounts. The House bill would fully fund the MAP-21 authorized amounts from the Highway Trust Fund. Congressman Latham, chair of the T-HUD subcommittee, said funding the MAP-21 law was among his priorities for the bill.

<u>At MAP-21 authorized levels</u>

- Highway obligation limitation: $40.3 billion
- Transit formula and bus grants obligation limitation: $8.6 billion
- AIP obligation limitation: $3.35 billion

<u>Funded below final FY 2013 levels</u>

- Amtrak capital and debt service: $600 million (a 34 percent reduction)
- Essential Air Service discretionary subsidies: $100 million (a 26 percent reduction)

<u>Not funded</u>

- TIGER grants (in addition, $237 million in unobligated TIGER funding is rescinded.)
- High Speed Rail
- Amtrak routes where 50 percent discounts are offered

Senate proposal
Current status – The T-HUD subcommittee has not yet released a draft proposal. However, as noted above, it will be working with a larger discretionary amount (for transportation and housing combined) than the House due to the higher overall cap.

In addition, bills have been introduced in the Senate and House to help agencies deal with the effects of the sequester, including giving them the flexibility to shift money between accounts (subject to congressional oversight) and allowing them to exempt essential employees from furloughs.

The week of June 24, the House and Senate both advanced T-HUD appropriations bills with full committee markups taking place nearly simultaneously on Thursday. Like the House proposal, the Senate bill (S 1243, S Rpt. 113-45) would adhere to amounts authorized in MAP-21 for highway, transit and aviation. Discretionary funding provided by the Senate includes $550 million for the TIGER program and $500 million for "Bridges in Critical Corridors" (a response to the collapse of the Skagit River Bridge in the state of Washington). Additional detail will be provided as it is available.

T-HUD – The Senate plans to lead off its series of FY 2014 appropriations bills with S. 1243, funding Transportation, Housing and Urban Development, which is scheduled for floor action on July 23.

The Senate T-HUD proposal would adhere to authorized obligation limitation amounts in MAP-21 for highway, transit and aviation. Discretionary funding includes $550 million for the TIGER program and $500 million for "Bridges in Critical Corridors" (a response to the collapse of the Skagit River Bridge in the state of Washington). In addition, the bill provides:

- $140.35 million for staffing contract control towers
- $100 million for "Capital Assistance for National High Performance Passenger Rail"
- $1.45 billion for Amtrak
- $15 million for Public Transit Emergency Relief

While the House proposal, HR 2610, also provides authorized funding levels for highway, transit and aviation obligation limitation, most other amounts are somewhat lower than in the Senate bill. The House provides no discretionary funds for "high performance" passenger rail, the TIGER program, bridge repair, or transit emergency relief. In addition, $237 million in unobligated TIGER funds would be rescinded.

Energy and Water – On July 10, the House passed its FY 2014 Energy and Water Appropriations bill. HR 2609 provides a total of $4.876 billion for Corps of Engineers Civil Works activities, including funding for several projects involving Iowa. The Inland Waterway Trust Fund would continue to support the enormous Olmsted lock and dam project on the Ohio River (near Olmsted, Illinois).

The Senate proposal, S 1243, was reported out of committee on June 27. Overall funding is higher, at $5.272 billion. It includes the same Iowa-related projects as in the House bill, but some are funded at higher levels. The Senate would use General Fund money for the Olmsted lock and dam project, freeing up funds in the Inland Waterway Trust Fund for other projects.

As promised, the Senate took up the Transportation, Housing and Urban Development (T-HUD) appropriations bill the week of July 22. Several amendments were offered and debated, with a few adopted. Work on S 1243 is expected to resume next week.

The House voted to bring its T-HUD bill to the floor, but has yet to call it up. The administration issued a veto threat against the bill, due to the lower level of funding. (HR 2610 conforms to the Budget Control Act of 2011, reflecting the new round of automatic spending cuts it requires for FY 2014.)

Due to the large funding gap between the Senate and House, and the Sept. 30 expiration of the current appropriations measure, work has begun on crafting another Continuing Resolution. Questions to be answered include the level of funding that would be provided, and the length of the continuation.

The likelihood of a continuing resolution (CR) for FY 2014 funding increased this week. The House took up its T-HUD appropriations bill (HR 2610) on Tuesday, passing a few of the amendments offered but then cancelling additional floor work planned for Wednesday. The Senate spent several days working on its version (S 1243) but voted against cloture on Wednesday evening, effectively killing the bill.

Further action - on appropriations, a CR or on a larger budget deal - will have to wait until Congress returns in September.

After earlier expectations that a Continuing Resolution (CR) would move swiftly through Congress, work on stop-gap legislation to prevent a shut-down of the federal government is once again on hold. With the current CR set to expire on Sept. 30, House leadership introduced but declined to vote on H. J. Res. 59 last week. A significant number of Representatives oppose the current proposal and advocate lower funding levels, policy language regarding the debt limit, etc. House Majority Leader Eric Cantor says work on a new proposal may continue through the weekend, and a planned recess the week of Sept. 23 may be cancelled.

As currently written, H. J. Res. 59 is a relatively clean CR through Dec. 15, 2013. While overall funding levels reflect sequestration, impacts to transportation are relatively small, and current levels would essentially continue. While the proposal lacks specific language regarding air traffic control towers, it is expected that a provision will be put into place to keep those facilities staffed.

The House opted to revise the Continuing Resolution, H. J Res. 59, before passage on Friday, adding language via the rules process that would defund the health care reform measures put into place in 2010. Also added was a provision requiring the Treasury Department to make debt payments and pay Social Security benefits before other payments if the government reaches the debt ceiling. The bill would continue other government agencies and programs generally at post-sequester rates through Dec. 15, 2013.

In votes expected to begin on Tuesday, Sept. 24, the Senate is expected to remove the language added by the House, and may also attempt to raise the funding levels above post-sequester rates. The bill would then go back to the House, which has scheduled sessions beginning on Wednesday. The fiscal year ends on Monday, Sept. 30.

On Sept. 27 the Senate is scheduled to take a series of four votes on H. J. Res. 59, the Continuing Resolution (CR) to keep funds flowing to federal agencies and programs after the current fiscal year ends on Monday night. The Senate is likely to amend the CR in several ways, including moving the ending date up to Nov. 15, 2013, stripping language that defunds health care reform measures, and prioritizing debt repayment if the debt ceiling is reached. However, no amendments directly impacting transportation are anticipated.

The House could take up the bill this weekend and pass it as amended, averting a government shutdown Monday night. However, it is more likely to make further amendments and send it back to the Senate, or attempt to pass a stop-gap CR of just a few days to allow for additional negotiations.

While the precise impacts of a potential shutdown on US DOT are unclear, it is likely that the federal-aid highway program would continue to function virtually without interruption. Transit formula programs would also continue normally but “check-writing” FTA employees would be furloughed. FAA employees other than those necessary for “life and safety” would also be furloughed. All grant programs at FRA are likely to be suspended. Motor carrier programs administered by FMCSA would not be impacted.

Federal government agencies and programs have been largely shut down since Monday, Oct. 1. With estimates on the duration varying, the shutdown’s impact on transportation is also mixed.

- the federal-aid highway program continues to function virtually without interruption as no FHWA employees are furloughed;

- transit formula programs would also continue normally but reimbursements would be delayed because most FTA employees have been furloughed;
- FAA employees other than those necessary for life and safety have been furloughed;
- FRA safety activities continue but grant programs are suspended and employees not involved with safety activities are furloughed - although Amtrak is running;
- The Army Corps of Engineers' lock and dam operation is continuing; and
- Motor carrier programs administered by FMCSA have not been impacted.

Two other major appropriations acts also expired on Monday (although neither provided funding for ongoing programs): the Water Resources and Development Act of 2007, and the Passenger Rail Investment and Improvement Act of 2008. The House and Senate have each proposed new reauthorization bills for water resources and development programs. No comprehensive passenger rail bills have been introduced.

Federal employees returned to work on Thursday after a Continuing Resolution to fund the federal government was passed on Oct. 16 and signed by the President on Oct. 17. Here are the major transportation provisions in HR 2775 (PL 113-46):

- Provides funding through Jan. 15, 2014, at FY 13 levels (reflects sequestration) for those projects and activities for which funds were available in FY 13.
- Allows for a higher level of funding ($2.9 billion) for the Olmsted lock and dam project to be appropriated (amends the 1988 WRDA authorization bill which capped it at $775 million). Funds would still have to be appropriated.
- Extends TANF through Jan. 15, 2013 (it was set to expire).
- Provides $9.248 billion to FAA to prevent the furlough (due to sequestration) of air traffic controllers and aviation safety inspectors.
- Provides $450 million in FHWA Emergency Relief funds to pay for repairs due to recent flooding in Colorado.

Other major provisions:

- Authorizes extension of the debt limit through Feb. 7, 2014.
- Provides back pay for federal workers who were furloughed.
- Reimburses states that used their own funds to carry out federal activities.

Also part of the deal:

- The two chambers agreed to create a conference committee to come up with a way to reduce the deficit.

Following House passage of H J Res 59 the week of Dec. 8, the Senate Majority Leader hopes to bring up the compromise budget for FY 2014 and 2015 in the coming days. In addition to forestalling a government shut-down on Jan. 15 when the current funding expires, H J Res 59 would partially address the significant cuts made to general fund programs by the 2011 Budget Control Act (BCA) by adding back a total of $63 billion over the two-year period.

The BCA generally has little direct impact on transportation programs, which are mainly funded through the Highway Trust Fund and the Airport and Airways Trust Fund. However, a small percentage does come from the general fund and will be impacted by the provision in H J Res 59 that extends sequestration through 2023, as opposed to the previous ending date of 2021. In addition, the measure continues a requirement that general fund transfers into the Highway Trust Fund be offset, which will complicate the reauthorization process.

The next steps for appropriations are determination of the amounts that go to individual committees, and reconciliation of the bills currently pending. The funding caps for nondefense spending is $14 billion less than the amount the Senate Appropriations Committee had been working with but the House Appropriations Committee will now have $78 billion more to work with. For transportation, the differences in funding between the House and Senate versions are minimal. The obligation limitations for the Airport Improvement Program, and for highway and transit formula and bus grants, are the same in the House and Senate (at the authorized levels). The Senate also added $500 million for Bridges in Critical Corridors, and $550 million (from the general fund) for TIGER. Congress could pass individual bills, roll them into an omnibus, or simply adopt another Continuing Resolution to finish out FY 2014.

House and Senate appropriators received FY 14 amounts for individual subcommittees last week after final passage of H J Res 59 in the Senate on Dec. 18. Now they begin negotiations that will determine whether FY 14 funding for the various subcommittees comes in the form of an omnibus, another Continuing Resolution (CR), or possibly even a few individual bills.

H J Res 59 partially reversed planned sequestration cuts to general fund programs by setting a compromise topline amount of $1.012 trillion. As a result, the funding caps for nondefense spending total $14 billion less than the amount the Senate Appropriations Committee had been working with, and $78 billion more than the House would have had to work with.

For transportation, however, the impact is minimal since the Highway Trust Fund and the Airport and Airways Trust Fund (rather than the general fund) support most programs. In addition, House and Senate proposals advanced earlier this year are similar, with identical (authorized) levels for the obligation limitations for the Airport Improvement Program, and for highway and transit formula and bus grants. The Senate added $500 million for Bridges in Critical Corridors, and $550 million (from the general fund) for TIGER.

Congress has several procedural options for passing a bill by the Jan. 15 expiration of the current CR. No appropriations proposals advanced earlier in the year passed both chambers. Both the House and Senate have adjourned until they return in January 2014

Both chambers have now passed the FY 14 omnibus appropriations bill, and the President is expected to sign it before expiration of the current CR on Saturday. (The House vote was 359-76, and the Senate vote was 72-26.) Rather than a continuing resolution, HR 3547 combined compromise language included in proposals for individual bills, including T-HUD, and Energy and Water.

As expected, the obligation limitation for highway and aviation programs that are supported by the trust funds are at authorized levels, with no across-the-board cuts.

Other provisions in the T-HUD section:

<u>Aviation</u>

- Small airports may continue contributing 5 percent (rather than the MAP-21 rate of 10 percent) of the total cost for unfinished phased projects that were underway before enactment of MAP-21.
- EAS discretionary funds were set at $149 million, with an additional $100 million expected in overflight fees. Communities less than 40 miles from a small hub airport will not get a new contract unless they've negotiated a cost share percentage with FAA. The

passenger subsidy caps proposed by the House and Senate were not included. The hold on requiring use of a 15-passenger aircraft is continued.
- $140 million was provided to staff contract towers in FY 14.

Highway
- House language was included directing that discretionary programs give priority to projects that are funded with PPPs, and that deliver significant improvement to a national or regional transportation network
- The $500 million "Bridges in Critical Corridors" program proposed by the Senate was dropped from the final bill. However, GAO is required to survey every state DOT on their treatment of oversize loads. Also, FHWA is required to re-evaluate state and federal requirements for bridge height.

Multi-modal
- TIGER was funded at $600 million, which is $50 million more than proposed by the Senate (the House proposal had excluded it entirely). There is no recission of unobligated funds.
- States that meet certain conditions may use their CMAQ funds for transit or rail operating costs without time limitations.

Rail
- The bill retains RRIF language requiring payment of a credit risk premium by new applicants.
- Amtrak received a total of $1.41 billion in operating plus capital and debt payment funding.
- Unobligated Mag Lev funds from SAFETEA-LU are reassigned to be used for: capital projects in a state rail plan; PTC projects; or high speed rail corridor planning improvements, with at least $20 million dedicated to this category, and including projects that have not completed a Tier 1 EIS.

River
- Rescinds $2 million for a study on the value to users of river flow support for the Mississippi and Missouri Rivers

Transit
- The Public Transit Emergency Relief program authorized in MAP-21 was not funded.
- Funds for projects not obligated by Sept. 30, 2018, will be directed to similarly eligible projects.

Congressman Paul Ryan's FY 2015 budget proposal, reported out of the House Budget Committee the week of March 31 on a 22-16 vote, would allow transportation funding to go over the "fiscal cliff." In contrast to the administration proposal and also a tax reform plan from Ways and Means Chair Camp released last month, the House FY 2015 budget contains no provisions to address the Highway Trust Fund shortfall, expected to begin impacting the rate of reimbursements to states by this summer. In addition, states would be prevented from obligating any new highway projects in FY 2015. This would allow for existing revenues to sustain higher levels of investing in FY 2016.

Without additional revenues for the Trust Funds, outlays for FY 2015 under the Ryan proposal would be reduced by $13 billion. However, since FY 2015 funding is already established (via the Ryan-Murray agreement signed four months ago), the new proposal is unlikely to take effect.

Aviation Reauthorization

The multi-year aviation authorization bill, known as Vision 100 (PL 108 -176), expired on October 1, 2007, and programs have been continuing under a series of authorization extensions. Multi-year authorization bills have been passed by the Senate on March 22 and by the House on March 25 as separate amendments to HR 1586. A conference committee will resolve the differences between the two proposals. In the meantime, aviation programs received yet another short-term extension.

On September 30, 2010, the president signed an extension, until December 31, 2010, since several issues remain to be resolved.

On December 2 the House passed a bill to extend aviation programs and excise taxes through March 31, 2011. The three-month extension is the 17th short-term extension since the last FAA reauthorization bill expired more than three years ago. The Senate would still need to act on this bill.

Extension of aviation programs (through March 31, 2011) was carried out through HR 6473 which was signed on Dec. 22.

During the week of Jan. 24, aviation reauthorization moved to the forefront, with House Transportation and Infrastructure (T&I) Committee chair John Mica citing it as his first priority, and Senate Majority Leader Reid calling it the Senate's first order of business.

The Senate began debate the week of Jan. 31 on S. 223 to reauthorize FAA programs and airport and airway trust fund expenditures. Several amendments were offered, but at this point the bill was still mostly identical to HR 1586 that passed the Senate 93-0 last year. S 223 would fund AIP at $4 billion, and authorize $35 million per year for the Small Community Air Service program. An amendment has been offered that would eliminate the Essential Air Service program that provides funds to many small airports. The FAA has operated under short-term extensions since 2007.

Senator Reid intends to end debate on FAA reauthorization bill S 223 on Feb. 14, with the most contentious issue being the number of slots at Reagan National. The Senate Finance Committee reported out a new tax title which includes many features of the bill passed unanimously by the Senate last session: an increase in the jet fuel tax – to 36 cents per gallon (up from 22 cents); and a 14.1 cent per gallon surcharge on "fractionals" (aircraft owned by share holders or multiple parties). The committee also adopted an amendment limiting expenditures from the Airport and Airway Trust Fund to 90 percent of the estimated revenue for that year.

The Senate passed FAA reauthorization bill S 223 on Feb. 18 after a compromise was reached on slots at Reagan National that adds 12 round-trip beyond-the-perimeter flights per day. The two-year aviation proposal includes an increase in the jet fuel tax to 36 cents per gallon (up from 22 cents); and a 14.1 cent per gallon surcharge on "fractionals" (aircraft owned by share holders or multiple parties). An amendment adopted in committee would limit expenditures from the Airport and Airway Trust Fund to 90 percent of the estimated revenue for that year. The cap on

PFCs would not be raised. An amendment that would have eliminated the Essential Air Service (EAS) program was rejected, as was a proposal to reduce the federal share at non-primary airports.

The four-year House FAA reauthorization bill (HR 658) which was reported out of the Transportation and Infrastructure Committee on Feb. 16, would: cut AIP funding by $500 million as compared to last year; sunset EAS by Oct. 1, 2013; leave the PFC cap in place; and allow ten beyond-the-perimeter flights into Reagan National that would be offset by reducing by ten the number of flights from within the perimeter.

Work on FAA reauthorization advanced in the House the week of March 14 with the Ways and Means committee reporting out the revenue title (HR 1034) of HR 658, a four-year proposal. HR 1034 omits the increase in jet fuel taxes in the two-year Senate proposal, S 223. Meanwhile, the T&I committee also reported out another short-term extension (HR 1079) in anticipation of the expiration of the current measure on March 31. HR 1079 now goes to Ways and Means.

The current FAA extension expires March 31 and no final agreement has been reached on a full reauthorization bill. Therefore, Congress is expected to approve another stop-gap measure, HR 1079. This would be the 18th extension since the last FAA reauthorization expired more than three years ago. HR 1079 is a "clean" extension that would continue aviation programs and excise taxes through May 31, 2011.

On March 31 the president signed HR 1079, a clean extension of FAA programs and excise taxes through May 31, 2011. Although no final agreement has been reached on a full reauthorization bill, the House passed it's proposal (HR 658) on April 1, with numerous amendments.

FAA extension legislation went to conference last week after the Senate amended the House proposal, HR 658, on April 7. Differences between HR 658 and the Senate proposal, S 223, include: the future of the Essential Air Service program, jet fuel taxes, slots at Reagan National, and unionization rules.

The Senate has appointed conferees to resolve differences between the House and Senate versions of aviation reauthorization bill HR 658. Conferees from the House side have not yet been announced. The current extension expires May 30, 2011.

On May 24, 2011, Congress passed HR 1893, a short-term extension of aviation programs and funding through June 30, 2011. The "clean" bill authorizes $2.6 billion in contract authority for the AIP program for the period from Oct. 2010 through June 30, 2011. This is the 19th extension of Vision 100, which expired at the end of FY 2007.

On May 31, the president signed the 19th FAA reauthorization extension, PL 112-016, which gives Congress until June 30 to complete action on a multi-year FAA reauthorization bill. In the on-going FAA reauthorization conference negotiations, continuing areas of contention include funding levels, controversial labor provisions, and the fate of the Essential Air Service program. The House-passed bill eliminates EAS in October of 2013 except in Alaska and Hawaii. The Senate-passed bill continues the program with some revisions.

On June 24 the House passed HR 2279, extending FAA authorization for three weeks. The Senate is expected to act on the measure next week. The long-term reauthorization bill is still in conference, with the House and Senate so far unable to agree on the differences between the two bills, including the overall funding levels.

On June 29 the president signed a bill extending federal aviation programs through July 22, 2011. PL 112-021 is a clean extension which will carry the aviation programs forward while a conference committee works on finalizing a long-term reauthorization measure.

Congress is working on another short-term extension (the 21st) of the FAA reauthorization act. The decision regarding the duration of this extension is complicated by the fact that the current fiscal year ends on September 30 and the budgeting requirements for FY 2012 are uncertain. The current extension expires July 22, 2011*.*

Due mainly to a disagreement between the House and the Senate regarding the Essential Air Service (EAS) program, the most recent FAA reauthorization extension expired on July 22 without the passage of a new extension to replace it. On July 20, the House passed HR 2553 to extend the current FAA reauthorization act until September 16, 2011. However, the bill contains a policy rider that would reduce the number of airports included in the EAS program, which subsidizes air carriers for providing service to smaller communities. The lack of an approved extension or reauthorization bill impacts Airport Improvement Program payments to states, and has forced FAA to furlough thousands of non-essential personnel. Negotiations are continuing.

On August 5 the Senate passed an FAA authorization extension bill, HR 2553, ending the partial shutdown that began when the previous extension expired on July 22. Although both the Senate and House were in pro forma session only, leadership yesterday agreed on unanimous consent passage of the measure in the Senate, which had previously objected to provisions that would cut the number of airports eligible for Essential Air Service subsidies. However, under HR 2553, the Secretary of Transportation is allowed to waive the new criteria under certain circumstances. Extending FAA authorization means that AIP payments will now continue to flow to the states, FAA-directed projects can resume, and the revenue stream going into the Airport and Airways Trust Fund will be restored. The extension lasts until Sept. 16, 2011.

The current aviation reauthorization extension expires on September 16. In his August 31 speech on surface transportation, President Obama also called on Congress to pass another clean extension of the FAA bill. An August 31 press release by Congressman Mica mentioned his intention to “consult with committee leadership before granting the 22nd FAA extension.”

On September 16, Congress passed HR 2887 which extends surface transportation programs through March 31, 2012, with no policy or funding changes. Within the same bill was an extension of aviation programs to January 31, 2012, with no policy or funding changes.

A four-year FAA reauthorization measure, HR 658 (House Report 112-381), passed Congress 75-20 on February 6, and has been sent to the President for his signature. The bill authorizes $15.9 billion annually through FY 2015. Airport Improvement Program funding is set at current levels ($3.350 billion per year). The Essential Air Service Program (EAS) is retained, but new entrants are barred. Combined discretionary and mandatory EAS funds would rise very slightly to $199 million per year.

On Feb. 1, the president signed a four-year FAA reauthorization measure, HR 658 (House Report 112-381). The bill passed Congress 75-20 on Feb. 6, and authorizes $15.9 billion annually through FY 2015. Airport Improvement Program funding is set at current levels ($3.350 billion per year). The Essential Air Service Program (EAS) is retained, but new entrants are barred. Combined discretionary and mandatory EAS funds would rise very slightly to $199 million per year.

Surface Transportation Reauthorization
The multi-year surface transportation authorization act, known as SAFETEA-LU, expired on October 1, 2009. The federal-aid programs, including highway, transit, highway safety, and motor carrier programs are continued through a series of extensions.

The current extension was included in HIRE, which was signed on March 18, 2010 (PL 111-147) and continues programs through December 31, 2010. In addition to program extensions, the act did away with the $8 billion contract authority rescission enacted in SAFETEA-LU, and also transferred $19.5 billion from the General Fund to the Highway Trust Fund to keep that fund solvent. While the formula programs have been extended, the earmarked projects in SAFETEA-LU have not been extended. The funding which would have been earmarked was redistributed among the core programs. Two of the SAFETEA-LU earmarked programs were controversial because 58 percent of the funding was provided to four states and 21 states received none of the funding. Language providing a "fix" for that situation has been included in subsequent legislation, but has not been passed.

In June 2009, Congressman Oberstar unveiled a draft reauthorization bill known as the Surface Transportation Authorization Act (STAA). The 5-year proposal would increase funding from the Highway Trust Fund by 57 percent over SAFETEA-LU levels, with most of the increase going to safety and transit. The proposal emphasizes intermodal projects, livability projects, and transit in large areas. Oberstar included performance targets and investment plans for nearly every program, along with stepped-up bridge inspection requirements. Due largely to the question of how to fund it, STAA has remained a discussion draft only.

However, several bills were introduced as potential additions to reauthorization language. One example is S. 3485, introduced June 15, 2010, which would provide surface transportation funds to rural states specifically, in order to provide balance to the large urban area focus of the discussion draft.

On September 6, President Obama announced the outlines of a six-year transportation infrastructure plan, including an up-front investment of $50 billion for roads, rail and airports. The funding source mentioned in the announcement was for establishment of an Infrastructure Bank to leverage federal dollars and focus on investments of national and regional significance. The concept of an infrastructure bank has been emphasized by the administration in recent congressional hearings.

The administration says the infrastructure plan would put high-speed rail on an equal footing within surface transportation programs, streamline and prioritize transportation investments, and use performance measures and competition to improve outcomes. It would also expand investments in areas such as safety, economic competitiveness, livability and environmental sustainability. No language has been introduced, and Congress would have to approve the initial $50 billion in funding.

The Senate is reportedly working on an extension of expiring surface transportation programs that could last through July 4, 2011. House Transportation and Infrastructure Committee Chairman James Oberstar suggested during a meeting with reporters that he prefers a one-year extension. Rep. John Mica, Ranking Member of the House T & I, called for a six-month extension. Mica is now the chairman of the House T & I committee for the 112th Congress that convened this week.

On Dec. 22, the President signed HR 3082, which contained a Continuing Resolution (CR) to fund government programs until March 4, 2011, and an extension of the surface transportation programs, also until March 4, 2011. The measure does include a partial "fix" to the controversial distribution of certain highway funds under the HIRE Act by requiring a broader distribution of Equity Bonus funds between core programs.

During the week of Jan. 24, surface transportation reauthorization gained visibility. In his State of the Union address, the president advocated rebuilding infrastructure to increase America's competitiveness; US DOT director Ray LaHood stated that he expects a bill by Aug. 2011; the House and Senate are holding hearings on transportation; and T&I chair Mica has released an "oversight plan" that describes in general terms the committees basic goals for transportation, such as streamlining project delivery, consolidating and/or eliminating duplicative and obsolete program; redefining the federal role in transportation; and emphasizing performance and accountability.

On Feb. 11, Chairman Mica of the Transportation and Infrastructure Committee introduced HR 662 to extend the programs until Sept. 30, 2011. The bill contains no policy or funding changes.

On March 3, Congress has passed HR 662 to extend the programs until Sept. 30, 2011, and the president is expected to sign the bill before the current reauthorization extension expires March 4.

In recent weeks, Senators and Representatives have been introducing an increasing number of bills related to reauthorization of surface transportation programs. Topics include a freight corridor grant program funded by an increase in the diesel fuel tax, work zone and other highway safety measures, teen safe driving laws, and agriculture equipment visibility.

Unofficial draft language described as an administration proposal for surface transportation reauthorization was in circulation the week of May 2. However, a White House spokeswoman has stated that the 498-page bill is "not supported by the administration." In addition, the funding levels exceed those to which Congress is likely to agree. However, some concepts, such as program consolidation, could find their way into the final reauthorization plan.

Specifics are beginning to emerge regarding the House and Senate reauthorization proposals. While no authorized drafts have been released, House Transportation and Infrastructure Chair John Mica's outline is said to include funding at levels supported by revenue into the Highway Trust Fund, an expansion of TIFIA, increased state flexibility to direct highway funds (fewer mandates), and a continuation of the current share for transit funding.

In the Senate, the Environment and Public Works Committee draft reportedly funds programs at current levels plus inflation, contains no earmarks, significantly increases TIFIA, consolidates programs, and includes a focus on freight.

While the administration has yet to release an official, detailed draft proposal for reauthorizing transportation programs or funding levels, Transportation Secretary Ray La Hood has reiterated opposition to an increase in the gas tax.

In advance of the possible July 7 release of a surface transportation proposal by House Transportation and Infrastructure Committee Chairman John Mica, early documents describe the bill as covering six years, with funding at the level of Highway Trust Fund receipts. The summary also describes the bill as: providing more decision-making authority to the states, but also adding more performance requirements; eliminating approximately 70 duplicative or unnecessary programs; distributing nearly all the highway funding through formulas; focusing on the Interstates and the National Highway System; and placing more transit emphasis on suburban and rural systems.

No specific committee plans or documents have been released regarding the reauthorization Senate proposal, which will combine elements from several committees.

On July 7, House Transportation and Infrastructure (T&I) Committee Chairman John Mica released a 17-page summary of the House reauthorization proposal (but no bill text). The bill authorizes $230 billion over a six-year period, which is consistent with expected Highway Trust Fund (HTF) receipts (this amount does not include general fund transfers for transit). There will be no earmarks, and most funding will be distributed to the states through formulas. Chairman Mica said a second hearing would be held on July 12. No floor time has been scheduled so the release date of the bill language is uncertain. Policy changes of interest noted in the committee's summary would:

- streamline the project delivery process;
- consolidate or eliminate approximately 70 programs;
- eliminate the 10 percent set-aside for transportation enhancements (but eligibility remains);
- increase TIFIA loan funds;
- focus the federal highway program on the Interstate Highway System and the National Highway System;
- increase the percentage of available formula funds for transit programs that benefit suburban and rural areas; and
- improve Railroad Rehabilitation and Improvement Financing loan terms and processing.

The complete committee summary and other information can be found on the T&I Web site: http://transportation.house.gov/

The Senate is working on a two-year bill that maintains current funding levels

- $109 billion over two years, including the current $4.4 billion in general funds for transit
- Would require $12 billion in new revenues to keep the HTF solvent

On July 19, the Senate Environment and Public Works Committee released an outline of its portion of the surface transportation reauthorization bill (highway policy and spending). "Moving Ahead for Progress in the 21st Century (MAP-21) calls for $109 billion in highway program spending over two years (current levels plus inflation) but that total would require $12 billion to supplement expected Highway Trust Fund revenue. Other provisions would: reduce the number of core programs from seven to five; add a freight-only program; increase funding for TIFIA; require states to set targets for improving safety, road and bridge condition, congestion, and freight movement; and incorporate performance targets into the planning process. No date has been set for release of the bill text.

A commitment to a short-term extension of SAFETEA-LU has been expressed by the administration, and also by leadership in the Senate and the House, to avert a September 30 shutdown of federal transportation programs. President Obama gave an Aug. 31 Rose Garden speech advocating reauthorization of surface transportation programs, and an interim extension. A Sept. 1 press release by Senator Boxer, chairman of the Environment and Public Works Committee, called for a clean extension of four months (through January 2012). On August 31 Congressman Mica stated that he would agree to “one additional highway program extension.”

A proposal to extend SAFETEA-LU (for the eighth time) is making its way through the Senate. The EPW committee approved a bill on Sept. 8 that would extend the highway program through January 30, 2012. Funding is at the FY 2011 level. The bill also rescinds $3.13 billion in unobligated balances as of Sept. 1, 2012. Still to come are the transit, rail and finance titles written, respectively, by the Senate Banking, Commerce and Finance committees. The House proposal has not yet been released.

SAFETEA-LU as enacted authorized user fees and the Highway Trust Fund until Sept. 30, 2011. Therefore, the eighth extension is the first one that must include those financing provisions.

A reauthorization bill description released earlier this summer by the House Transportation and Infrastructure Committee held transportation funding levels at those that could be sustained by existing revenue sources flowing into the Highway Trust Fund, resulting in significant cuts to programs. However, on Sept. 26, a spokesman for Chairman Mica stated that the committee is now looking for additional revenue, estimated to be $15 billion per year, to allow for a six-year bill at current funding levels. The Senate Environment and Public Works Committee is working on a two-year highway funding bill that would maintain current levels of spending plus inflation. The Senate plan will require additional revenue of $12 billion per year.

The Senate Environment and Public Works Committee (EPW) has signaled a Nov. 9 markup for its proposal for reauthorizing highway funding. This could mean release of the text sometime on Nov. 4. As outlined earlier this year, the bill covered two years and maintained current levels of spending plus inflation which would require additional revenue of $12 billion per year.

In the Senate - On Nov. 9, the Senate Environment and Public Works Committee (EPW) unanimously approved the highway portion of a two-year surface transportation reauthorization proposal. Characterized by Senator Boxer as a bipartisan effort, the bill:

- Provides a level of funding consistent with SAFETEA-LU plus inflation (although this is contingent on the Finance Committee finding offsets or revenue to fill a funding gap of at least $12.4 billion);

- Makes significant changes in the distribution of funding to the states by funneling as much as possible through formulas (earmarks and discretionary programs are eliminated); and

- Reconfigures the 13 formula programs in SAFETEA-LU into six programs, including three new ones: National Highway Performance ($20-21 billion per year, mostly for maintenance); Transportation Mobility ($10.5 billion per year for projects similar to the Surface Transportation Program); and the National Freight Program ($2 billion per year for projects on a National Freight Network to be designated by the US DOT).

Other changes of note include: elimination of the set-aside for Transportation Enhancements (although those projects are now eligible for funding under the Congestion Mitigation and Air Quality Program); and elimination of funding for the railroad-highway grade crossing program.

A state's share of formula money would be tied to its share of funding under SAFETEA-LU, including both apportionments and earmarks, and each state is assured at least a 95 percent of its trust fund contributions.

The bill also contains a "ratchet" mechanism to keep the highway trust fund solvent. Regardless of the obligation limitation set by legislation, if the trust fund balance will not support it (plus a minimum amount for cash flow), the obligation limitation is reduced by the amount of the shortfall.

In the House - On November 17, House Speaker John Boehner announced a plan for a five-year bill that would include surface transportation authorization language as well as energy production measures. The bill would be introduced with the number HR 7 and the title of "American Energy and Infrastructure Jobs Act." Boehner said that revenue from expanded oil and gas drilling will be tied to infrastructure investment, and the bill will include changes aimed at increased private-sector involvement in infrastructure. Information such as funding sources and levels were not provided.

Two more pieces of the Senate's reauthorization package are scheduled for markup in December. The Senate **Commerce, Science and Transportation Committee** has announced a Dec. 14 markup date for S. 1952, the "Hazardous Materials Transportation Safety Improvement Act of 2011;" and S 1953, the "Research and Innovative Technology Administration Reauthorization Act of 2011." The press release notes that the committee will take action on additional reauthorization bills at the first markup session when Congress reconvenes in January, 2012.

Last month, the Senate **Environment and Public Works** Committee (EPW) unanimously approved "Moving Ahead for Progress in the 21st Century (MAP-21)," the highway portion of a two-year surface transportation reauthorization proposal.

In the House, Chairman Mica of the Transportation and Infrastructure Committee announced on Dec. 5 that no action would take place before the end of the year on a long-term surface transportation bill. In November, Speaker Boehner announced a plan for a five-year bill that would include surface transportation authorization language as well as energy production measures.

Last month, the Senate Environment and Public Works Committee unanimously approved the highway portion of a two-year surface transportation reauthorization package, leaving work for three other committees: Banking, Housing and Urban Affairs; Commerce, Science and Transportation (CS&T); and Finance.

On Dec. 14, 2011, CS&T made progress on its portion of the Senate proposal by approving four bills reauthorizing programs administered by: the Research and Innovative Technology Administration (RITA) - S 1953; the Office of Hazardous Materials Safety - S 1952; the National Highway Transportation Safety Administration (NHTSA) - S 1449; and the Federal Motor Carrier Safety Administration (FMCSA) – S 1950. The bills not only provide funding for the programs covered, but would also make some policy changes - particularly S 1950. Although the text of that bill is not yet available, we are watching for detail on the addition of Complete Streets provisions and Senator Lautenberg's national freight program language. The committee may take up additional infrastructure measures next year, including a bill sponsored by Senator Rockefeller that would establish an Infrastructure Fund.

Neither the Banking, Housing and Urban Affairs Committee (transit provisions), nor the Finance Committee, has scheduled a markup of reauthorization legislation.

In the House, Congressman Shuster of the Transportation and Infrastructure Committee reiterated the intent of leadership to approve that chamber's reauthorization proposal "early next year."
The House and Senate are each preparing surface transportation reauthorization bills for floor action next week. The House Transportation and Infrastructure Committee approved its proposal on February 2. The Finance Committee in the Senate approved that chamber's trust fund and tax title on February 7. The major controversy continues to be the level and source of funds.

On February 23, a spokesman for Speaker of the House John Boehner announced that Republican leadership was considering "a revamped approach" to the surface transportation reauthorization proposal, HR 7. Specifically mentioned was the possibility of shortening the time period covered (currently 2012 – 2016). Major issues with the bill as currently written include a shortage of funding to cover cost of the $260 billion proposal, and concern over provisions that would end dedicated funding for transit through the Highway Trust Fund. HR 7 was voted out of committee on Feb. 3. Floor debate planned for the week of Feb. 27 is unlikely to take place.

The spokesman also stated that the link between infrastructure and energy would be retained. A second part of the House reauthorization package is HR 3408, aimed at providing revenue for HR 7. HR 3408 combines several earlier bills to expand oil and gas leasing to generate revenue, and also expedites approval of the Keystone pipeline project. The House passed HR 3408 on Feb. 17.

The Senate is pursuing MAP-21, a two-year proposal totaling $109 billion that would fund programs at current levels plus inflation. S 1813 covers mainly the highway provisions. On Feb. 17, Senator Reid offered an amendment (SA 1730) that combines the remaining sections (financing, transit, rail, motor carrier, research and safety) which are currently contained in separate bills. Numerous unrelated amendments are likely to add to the difficulty in coming to agreement on the Senate package. Floor action on the Senate bill is expected to resume next week.

The current surface transportation reauthorization extension expires March 31, 2012.

As of the week of Feb. 27, another extension of SAFETEA-LU is increasingly likely, since the current extension expires March 31, and neither chamber of Congress has passed a reauthorization bill. This week, the Senate began debating amendments to its proposal, MAP-21, which covers FY 2012 and 2013, and totals $109 billion (current levels plus inflation). On March 1, Senator Reid proposed a substitute amendment, SA 1761, which combines all the titles into one and reflects 37 amendments accepted by leadership. A cloture vote to limit debate is set for Tuesday, March 6, at 11 a.m. CST.

The House had also scheduled floor action on its reauthorization proposal, HR 7, this week. However, significant concern has been expressed about HR 7 (over such issues as the substitution of a one-time general fund transfer for dedicated transit funding, and the lack of sufficient funding in general). As a result, leadership has considered other options, including offering a shorter term version with possibly a few other changes. Both of those options would face considerable odds for passage in the House, and the path forward is unclear heading into the weekend.

Although a cloture vote on the Senate reauthorization bill failed last week, unanimous consent was reached on Senator Reid's substitute amendment, SA 1761, which combines all the titles and incorporates 37 amendments accepted by leadership. Also agreed to was a slate of 30 amendments for floor action. On March 8, senators began voting on the non-germane amendments on the list, clearing seven. Voting on the remaining amendments (18 of which are transportation-related) is scheduled for Tuesday, March 13.

There has been no further action on surface transportation reauthorization in the House, after HR 7 was pulled from the floor schedule last week. Although the House is in recess the week of March 12, a range of options is said to be under discussion including, among others: a revamped HR 7, possibly with the dedicated transit funding restored; some version of the Senate's bill, S 1813; and an extension of current law.

The current surface transportation reauthorization extension expires March 31, 2012. Another extension is likely to be necessary.

On Thursday, March 22, Speaker John Boehner said the House will take up a clean, three-month extension (through June 30, 2012) of SAFETEA-LU next week. Passage of HR 4239 is increasingly likely, since the current extension expires March 31, and Congress has yet to clear a new reauthorization measure.

On Wednesday, March 14, the Senate passed its surface transportation reauthorization proposal, S 1813 (MAP-21) by 74-22. The bipartisan vote followed floor action on a slate of amendments (some germane and some not), and leadership agreement on a manager's amendment. As cleared by the Senate, S 1813 would:

- Cover FY 2012 and FY 2013
- Authorize $109 billion for the two years combined (requires spending down the trust fund, and general fund transfers totaling approximately $10 billion)
- Fund transportation at current levels plus inflation
- Guarantee a 95 percent rate of return of estimated payments into the trust fund
- Distribute most funds by formula, based on 2009 SAFETEA-LU amounts rather than lane miles, etc. (no earmarks and very few discretionary programs)
- Add performance-related requirements to most programs
- Consolidate some core highway programs
- Streamline the NEPA process
- Set new requirements for highway and bridge expenditures, and also for bridge inspection
- **By amendment**: allow for extension of the 180-day time period for 100 percent federal share FHWA Emergency Relief funds, when states are unable to access the facility
- Set aside certain funds for use by states on a designated Primary Freight Network, with 10 percent available for rail projects
- Provide $1 billion for a competitive infrastructure project program (similar to TIGER)
- Retain dedicated funding for transit
- **By amendment**: provide $75 million for competitive bus and bus facilities "State of Good Repair" projects other than fixed guideway or Bus Rapid Transit

- Require the Secretary to develop a national rail plan, and regional plans for all regions
- Eliminate the railway/highway crossing program
- **By amendment**: create a competitive grant program for ITS projects
- Increase the population threshold for MPOs to 200,000 (currently 50,000) but existing MPOs under 200,000 can continue for three years after the new regulations are issued
- Establish Rural Planning Organizations for planning, etc. outside metro areas, with an "emphasis on rural needs"

An identical House version of MAP-21 has been introduced by Congressman Timothy Bishop of New York (D). This bill currently has 92 co-sponsors (all Democrats). However, no floor time for consideration of HR 14 has been scheduled.

The House has taken no further action on its own reauthorization bill, HR 7. That measure covers FY 2012 – FY 2016 at roughly current funding levels, and was passed out of committee on Feb. 3. (As part of the package, the House as a whole passed a separate bill, HR 3408, which would expand oil and gas leasing to generate revenue, and would also expedite approval of the Keystone pipeline project.) However, the House reauthorization proposal met with controversy over issues such as the lack of sufficient funding offsets, and the removal of dedicated transit funding.

On March 29, two days before expiration of the current extension of SAFETEA-LU, Congress approved an extension of another 90 days that continues transportation funding and programs through June 30, 2012. HR 4281 was approved 266-158 in the House and, shortly thereafter, by voice vote in the Senate. The President signed the bill on March 30.

As of the week of April 16, the stage is set for Congress to convene a conference committee on surface transportation reauthorization, centering around the Senate's proposal, MAP-21, which covers FY 2012-2013.

Barely three weeks after the President signed the most recent extension of SAFETEA-LU (providing program and funding authority until June 30), the House easily passed another 90-day extension that would mainly serve as a shell "companion" bill to MAP-21. As amended, the key features of HR 4348 are: extension of SAFETEA-LU to Sept. 30; environmental streamlining provisions similar to those in the House five-year reauthorization proposal, HR 7; and a highly controversial provision to expedite approval of the Keystone pipeline project. However, it is possible that additional topics could be addressed in conference.

The next step is for the Senate and House to appoint conferees, which is expected to take place in the next two weeks.

The week of April 23, Congress took additional steps toward a conference on surface transportation reauthorization. The Senate named 14 conferees on April 24, and the House named 33 conferees (including Congressman Boswell) on April 26. The first joint meeting is scheduled for May 8 at 2 pm CDST.

Meanwhile, smaller groups of conferees are discussing the many controversies the committee must address to reconcile the differences between the two proposals. The Senate's bill, MAP-21 is a major rewrite of transportation policy which covers FY 2012-2013 at approximately current levels by spending down the trust fund and transferring funds from the general fund. The House bill, HR 4348, extends SAFETEA-LU to September 30, 2012, with no additional funding provided. Major policy provisions in HR 4348 include environmental streamlining provisions and expedited approval of the Keystone pipeline project.

Transportation funding and programs are currently extended through June 30, 2012.

The first meeting of the full conference committee working on surface transportation reauthorization took place on May 8. All 47 Senate and House conferees had the opportunity to make presentations highlighting their priorities. Most members pledged bipartisanship in the effort to reconcile the Senate proposal, MAP-21 (S 1813), with the three-month House extension of SAFETEA-LU (HR 4348). However, clear differences were raised regarding issues such as the overall funding package for MAP-21, and a rider attached to HR 4348 that would expedite and require approval of the Keystone pipeline. Committee staff working behind the scenes will be taking on these issues and many others.

Senator Barbara Boxer, who chairs the conference committee, set an early June deadline for agreement. The current extension expires June 30, 2012.

While most of the discussions take place in conference meetings, reports have identified approval of the Keystone Pipeline, environmental streamlining and funding levels as key sticking points. Certain issues have gained visibility via a procedural move called "motion to instruct." Because no deal is yet in place on the final report language, members of Congress may ask for floor votes to "instruct" the conferees to support a particular position. The instructions are not binding, and the procedure largely serves as a test vote. An upcoming "motion to instruct" is expected to insist on FY 2013 funding levels out of the Highway Trust Fund that do not exceed $37.5 billion which, if adopted, could result in a 31 percent reduction in trust fund programs.

The full House and Senate must vote on the conference committee report when it is completed. However, the two chambers' schedules are in conflict much of the time between now and expiration of the current extension on June 30, 2012.

Despite some recent activity (including trading offers and counteroffers, and voting on "motions to instruct"), as of June 15, the transportation reauthorization talks between Senate and House leadership and conferees remain essentially stalemated. Senator Boxer, chair of the Senate Environment and Public Works Committee, and Congressman Mica, chair of the House Transportation and Infrastructure Committee, each stated this week that they believe that their offers are being met with an unwillingness to compromise. Meanwhile, Congressman Boehner, Speaker of the House, again stressed that he would support a six-month extension of SAFETEA-LU if no agreement is reached on a new bill by the time the current extension expires on June 30, 2012.

On June 21, Senator Boxer, chair of the Senate Environment and Public Works Committee, and Congressman Mica, chair of the House Transportation and Infrastructure Committee, released a joint statement regarding the highway title of the surface transportation reauthorization bill. It read, "The conferees have moved forward toward a bipartisan, bicameral agreement on a highway reauthorization bill. Conferees in both the House and the Senate will continue to work with a goal of completing a package by next week."

Other titles may be nearly complete as well. This week, Senator Tim Johnson, chair of the Banking Committee noted that "there is no great controversy over the transit title." And Senator Max Baucus, chair of the Finance Committee described an agreement on the pay-fors as "close."

Some reports are now referring to an overall deal that would encourage passage of the transportation policy and funding provision provisions by splitting off the extraneous measures proposed as riders to the bill (such as expedited Keystone approval and easing of coal ash regulation).

With agreements on those transportation provisions apparently in place (or nearly so), the next step is for committee staff to draft a bill that incorporates all the new language. With the June 30 deadline looming, even if all the major issues have been resolved it is still possible that a short-term extension could be required to continue funding during the process of filing and passing the bill.

On June 29, 2012, just one day before expiration of the ninth extension of SAFETEA-LU, Congress approved the MAP-21 conference report reauthorizing surface transportation programs (highway, transit and transportation safety) through Sept. 30, 2014. Most current Highway Trust Fund taxes, including those on gasoline and diesel fuel, would be extended through FY 2016. The report on HR 4348 also includes an extension of reduced student loan interest rates and reauthorization of the federal flood insurance program.

In general, the bill maintains current transportation investment levels for 27 months by supplementing Highway Trust Fund revenue with transfers from the general fund (offset by financing provisions such as corporate pension changes that raise revenue and a transfer of the balance of the Leaking Underground Storage Tank Fund). MAP-21 consolidates programs and streamlines the environmental process.

A few provisions included in the Senate proposal were omitted from the final report, including a freight title and a rail policy title. Also dropped was proposed House language expediting Keystone pipeline approval and prohibiting EPA from regulating coal ash as hazardous waste. MAP-21 contains no earmarks.

The vote in the House was 373-52, and the vote in the Senate was 74-19 (plus one “present”), with Senator Harkin and Senator Grassley both voting yes. The President is expected to sign the bill sometime later in the week when the bill is enrolled. In the meantime, a one-week extension, HR 6064, which passed this afternoon, will bridge the gap.

We will provide additional details as soon as possible.

Sometime on July 6, 2012, the President is expected to sign MAP-21 (HR 4348, Conference Report 112-557) reauthorizing surface transportation programs and funding through Sept. 30, 2014 and extending taxes through Sept. 30, 2016. The bill passed Congress on June 29 but the enrollment process took several days. In the meantime, a week-long extension of SAFETEA-LU (the 10^{th}) bridged the gap.

In general, MAP-21 maintains current transportation investment levels (plus a small inflation increase in some areas) for 27 months. This is achieved by supplementing Highway Trust Fund revenue with: an $18.8 billion transfer from the general fund (offset by corporate pension changes); and transfer of the $2.4 billion unobligated balance of the Leaking Underground Storage Tank Fund.

The bill also:
- maintains the 80/20 split between highway and transit funding

- focuses highway funding on the Interstate System and the expanded National Highway System
- eliminates or consolidates approximately 60 programs
- eliminates dedicated funding for Transportation Enhancements, Safe Routes to School and National Scenic Byways (although those projects are eligible under a new Transportation Alternatives program)
- streamlines the environmental review process
- includes $500 million in general funds for Projects of National and Regional Significance
- adds many performance measure requirements
- requires states to develop Asset Management Plans (this is already in place in Iowa)
- retains the threshold for Metropolitan Planning Organizations at 50,000 but recognizes a new category, “Regional Transportation Planning Organizations,” similar to RPAs in Iowa
- allows time for implementation (most provisions do not take effect until Oct. 1, 2012)
- will leave a $4 billion balance in the Highway Trust Fund at the end of FY 2014

The impact of many of the changes can only be identified when the US DOT issues guidance and regulations.

On July 6, the President signed MAP-21 (PL 112-141) reauthorizing surface transportation programs and funding through Sept. 30, 2014, and extending taxes through Sept. 30, 2016. The bill passed Congress on June 29 but the enrollment process took several days. In the meantime, a week-long extension of SAFETEA-LU bridged the gap. In general, MAP-21 maintains current transportation investment levels (plus a small inflation increase in FY 2014) for 27 months.

Additional information on MAP-21 is available on the US DOT Web sites for FHWA and FTA.

With MAP-21 due to expire on Sept. 30, 2014, Congress is holding an increasing number of hearings on surface transportation reauthorization issues. So far, however, there is no consensus in Congress on addressing the most significant of those issues – namely, the highway trust fund shortfall described above. Very few members of Congress have expressed support for raising the federal gas tax, or for any of the alternatives, including the option of trimming the program to match the revenue.

By contrast, at a Feb. 12 meeting of the Environment and Public Works Committee, representatives of diverse stakeholder groups such as the US Chamber of Commerce and the AFL-CIO advocated directly for an increase in the gas tax to maintain current investment levels. And the American Trucking Association and AAA have both endorsed HR 3636, a bill to double the tax, which was introduced last month by Representative Blumenauer of Oregon. No other members of the House have signed on as co-sponsors.

Tiger

On May 28, 2010, Transportation Secretary Ray LaHood announced the availability of $600 million in TIGER II grants for capital investment in surface transportation projects. The Federal Register notice stated that “funds for the TIGER II program are to be awarded on a competitive basis for projects that have a significant impact on the nation, a metropolitan area, or a region.” Primary selection criteria listed included contributing to the long-term economic competitiveness of the nation, improving the condition of existing transportation facilities and systems, improving energy efficiency and reducing greenhouse gas emissions, improving the safety of U.S. transportation facilities and improving the quality of living and working environments of communities through increased transportation choices and connections. The U.S. DOT was also directed to consider geographic distribution, and to give priority to projects that are expected to quickly create and preserve jobs and stimulate rapid increases in economic activity.

The DOT submitted applications for five projects. On October 20, U.S. DOT announced the recipients: 75 projects in 40 states. No Iowa DOT applications were funded.

Transportation Secretary Ray LaHood has announced the awards in the third round of TIGER grants. On Dec. 15, 2011, he identified 46 projects in 33 states as recipients of funding from the $511 million program. A total of 848 applications were submitted from around the country. No Iowa projects were selected.

US DOT announced FY 2012 TIGER awards on June 22, 2012, with two Iowa projects selected this round:

- The City of Clinton received $2.7 million to complete the remaining projects to rehabilitate the Liberty Square area, such as implementing Complete Streets design initiatives and addressing remaining issues related to years of pollution and economic decline.

- The City of Des Moines received $10 million to extend Martin Luther King Jr. Parkway. This would connect downtown Des Moines and the southwest industrial area with the US 65 beltway to support economic redevelopment and enhance access, safety, and environmental sustainability.

As in the previous three years, TIGER grants are competitive capital grants for surface transportation investment, with an emphasis on projects representing the final piece of an investment by state, local and private entities. In FY 2012, USDOT received applications totaling $10.2 billion from all 50 states, plus US territories and the District of Columbia.

In September 2013, fifty-two projects in 37 states have been awarded TIGER grants totaling $458 million. US DOT Secretary Anthony Foxx made the announcement Sept. 5. The median grant size was $10 million except for rural grants for which the median amount was $1 million. Modes receiving the highest levels of funding included transit, freight and passenger rail, and Complete Streets.

One Iowa project was chosen: Northeast Iowa's Livable Rural Communities project received $1,651,475. The funds will be used largely to reconstruct 2.5 miles of deteriorated, suburban two-lane road in Decorah and the unincorporated area of Freeport, and to replace it with a multi-modal system of roads, bridges and trails.

Water Resources Development Act reauthorization

The Environment and Public Works committee reported out S 601 on March 20. The Water Resources Development Act (WRDA) authorizes the civil works program of the Army Corps of Engineers, which includes river operations and issues.

The Senate is set to vote Thursday on S 601, the bill to reauthorize the civil works program of the Army Corps of Engineers, which includes river operations and issues. Provisions aimed at increasing revenue into the Inland Waterways Trust Fund may be proposed on the floor.

Senate work on amendments to the Water Resources Development bill continued the week of May 6. So far, proposals to raise the rate of fuel taxes going into the Inland Waterways Trust

Fund (IWTF) have met resistance by leadership, since the Constitution requires tax legislation to originate in the House. (The trust fund pays for improvements to locks, dams and navigation channels.) However, the manager's amendment, which was agreed to on Wednesday by unanimous consent, includes a provision that funds the enormous Olmsted lock and dam project on the Ohio River (near Olmsted, Illinois) entirely from the general fund, freeing up IWTF revenue for use on other projects.

On May 15, the Senate amended and passed S 601, the Water Resources Development Act of 2013 (WRDA) authorizing the Army Corps of Engineers' civil works program, including river operations and issues. The vote was 83-14, with Senator Harkin and Senator Grassley both voting "yes."

As passed, the bill:

- authorizes Corps activities and projects;
- funds the Olmsted lock and dam project on the Ohio River (near Olmsted, Illinois) entirely from the general fund, freeing up Inland Waterway Trust Fund (IWTF) revenue for other projects;
- includes a pilot program to evaluate non-federal interests carrying out certain projects including inland harbor navigation, flood risk management and other activities;
- authorizes federal support for state levee safety programs and grants;
- streamlines certain environmental requirements; and
- creates a loan and loan guarantee program called WIFIA for certain water projects that produce a revenue stream and cost at least $20 million.

A proposed Senate amendment to increase the per-gallon diesel tax going into the IWTF was dropped due partly to concerns about the requirement that tax legislation originate in the House. The House Transportation and Infrastructure Committee has jurisdiction on the House side and will write its own bill.

Transportation and Infrastructure (T&I) Committee leadership says the long-awaited House version of the bill to reauthorize water resources development programs will go to the committee in September and come to the floor in early October. Committee chairman Bill Schuster said the bill will contain no earmarks and will make major reforms to water resources development activities, especially with regard to streamlining project delivery.

The House version of the water resources reauthorization bill was introduced Sept. 11. HR 3080, the Water Resources Reform and Development Act (WRRDA) authorizes the civil works program of the Army Corps of Engineers, which includes river operations and issues. The House Transportation and Infrastructure Committee is scheduled to mark up the bill on Sept. 19.

In contrast to previous reauthorization acts, which consisted mainly of earmarks, the proposal addresses many policy issues (such as streamlining the environmental review process), and mentions few specific projects. One issue not addressed, however, is the need for additional revenue into the Inland Waterway Trust Fund. Transportation and Infrastructure Committee Chairman Bud Shuster said that while there is support for an increase in the diesel tax supporting the trust fund, the Ways and Means Committee would have to initiate any tax-related proposals.

The Senate passed its version of WRDA reauthorization, S. 601, on May 15.

The House Transportation and Infrastructure Committee reported out the water resources reauthorization bill last Thursday. HR 3080, the Water Resources Reform and Development Act (WRRDA) authorizes the civil works program of the Army Corps of Engineers, which includes river operations and issues. Few changes were made during mark-up.

The House could take up its Water Resources Development authorization bill (WRRDA) next week. Amendments must be filed on HR 3080 by Tuesday morning.

The Water Resources Reform and Development Act of 2013 (WRRDA) passed the House on Oct. 23 by an overwhelming margin, 417-3. While previous reauthorization acts have consisted mainly of earmarks, HR 3080 mentions few specific projects and consists mostly of policy changes aimed at lowering the cost and time required for project completion. As passed, the bill:

- authorizes Corps activities and projects (23 specific projects with completed Chief's Reports are listed, including a flood risk management project in Cedar Rapids)
- increases the federal share of fund for the Olmsted lock and dam project on the Ohio River (near Olmsted, Illinois) to 75v percent (up from 50 percent), to leave more of the Inland Waterway Trust Fund (IWTF) revenue for other projects
- includes a pilot program to evaluate non-federal interests carrying out certain projects
- streamlines many environmental requirements

The en bloc amendment adopted on the floor includes provisions to prevent the spread of Asian Carp, and require coordination between the Corps and FEMA when informing the public about flood risk. A proposal to designate a water-based freight network (modeled on the MAP-21 Primary Freight Network) was defeated.

The next step will be appointment of a conference committee to work out the differences between HR 3080 and the Senate's bill, S. 601 which was passed in May.

All conferees have been appointed to negotiate a compromise between the House and Senate versions of the water resources development bill now called HR 3080. House members who will serve (chosen yesterday) include 25 members of the Transportation and Infrastructure Committee and three members of the Committee on Natural Resources. Senate members were appointed Nov. 4 and include eight members of the Environment and Public Works Committee. None of the conferees are from Iowa.

The Water Resources Reform and Development Act of 2013 (WRRDA) passed the House on Oct. 23 by an overwhelming margin, 417-3. The Senate passed S. 601 in May, also by a bipartisan vote of 83-14. One major difference between the two versions is their approach to project authorization. While both establish a set of criteria for choosing future projects, the Senate would technically leave the final choice to the Army Corps of Engineers, while the House would give the final say to Congress. (In fact, the House bill actually names 23 specific projects, including $67.2 million for flood risk management on the Cedar River in Cedar Rapids.) Other differences: the Senate includes a comprehensive national levee safety program which the House does not, and S 601 adds language throughout requiring a watershed approach to planning and projects – HR 3080 does not generally require this.

Budget

Each year, the administration proposes a specific budget for federal programs in the coming year, plus aggregate spending levels for the out-years. It generally serves as a starting point for the topline amount and policy direction for the appropriations process.

Earlier this month, President Obama released his budget proposal for FY 2015. The implications are slightly different this year, with the administration taking its cue on the total amount from the Ryan-Murray budget agreement (signed in December 2013) which set that limit at $1.014 trillion. The request would fund most programs within that limit, but cites revenue from "pro-growth corporate tax reform" to offset new programs and higher funding levels for some existing programs.

The transportation section, which actually specifies funding levels for FY 2015-2018, can be seen as a preview of the administration's surface transportation reauthorization bill. However, since any reauthorization proposal will hinge on the solvency of the Highway Trust Fund, the most significant aspect of the budget request is, arguably, the proposal to fill the gap between trust fund receipts and outlays. The administration would add to the trust fund approximately $150 billion in new revenue during FY 2015-2018, singling out approximately $63 billion of that amount for maintaining the solvency of the fund. The president has emphasized that he is willing to look at other sources of funding proposed by Congress.

Within the same week, Representative David Camp, the chairman of the House Ways and Means committee, released a comprehensive tax reform "discussion draft" that also adds to the Highway Trust Fund using tax reform revenue – specifically, changes to taxation involving repatriated funds. However, Camp would spread a smaller estimated amount ($126.5 billion) over a longer period (nine years). So the approximately $35 billion that would be added by Camp during FY 2015-2018 would fill the "glass" little more than halfway to the top.

The good news is: the two proposals both address the trust fund shortfall and rely on roughly the same taxation change to provide the necessary revenue, suggesting some momentum. The bad news is: the trust fund is expected to become insolvent possibly as early as July 2014 – almost certainly before enactment of a new reauthorization bill. Also, any specific increase in corporate taxation will be difficult to enact on its own, and the chance that Congress will pass a comprehensive tax reform package is remote at best.

However, the administration's proposed budget would tap this same source to boost transportation funding (by approximately $90 billion), with the largest increases by far going to passenger rail, urban transit systems, and multimodal projects. (Another trend: increasing the share of funds distributed via competitive programs rather than formula.) The entire package totals about $302 billion.

Administration funding proposals include:
Rail – 243 percent increase for additional Amtrak funding, plus: a new Rail Service Improvement Program (mostly passenger rail but some funds for rail line relocation, grade crossings, and upgrades for shortlines).

Transit – 68 percent increase for additional funds for some existing programs (State of Good Repair, Bus and Bus Facilities and New Starts), plus: a new Bus Rapid Transit discretionary grant program specifically for fast-growing areas; and "FAST" discretionary grants for innovative projects with an incentive for performance management.

Highway – 21 percent increase for a higher obligation limitation, plus: apportioned "Fix it First" funds for Interstate System bridges, and other projects on NHS and rural roads; new competitive multimodal freight grants; and "FAST" discretionary grants for innovative projects with an incentive for performance management.

Aviation - (funded through the Airport and Airway Trust Fund) – overall funding for the Airport Improvement Program would actually decrease by 13 percent, but large hub airports would no longer receive passenger and cargo entitlement, a change intended to leave enough AIP funds to actually increase apportionments to the smaller airports. In exchange, the Passenger Facility Cap would be raised for large hub airports, allowing them more flexibility to increase revenue.

TIGER – 100 percent increase for these discretionary grants for multimodal projects (to $1.2 billion per year)

<u>Administration policy proposals (many of which have appeared in past requests) include:</u>

- Replacing the Highway Trust Fund with a Transportation Trust Fund that would receive increased general fund transfers to support the addition of rail and multimodal projects
- Creation of an interagency center to improve the permitting process for infrastructure projects
- Continuation of TIFIA
- Capitalization of a National Infrastructure Bank ($10 billion)

Prepared by:
Office of Policy and Legislative Services
Iowa Department of Transportation
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